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**UNITED STATES
FEDERAL COMMUNICATIONS COMMISSION**

EN BANC HEARING ON AMERICAN ONLINE, INC. **RECEIVED**
AND TIME WARNER, INC.
APPLICATIONS FOR TRANSFER OF CONTROL
CS DOCKET NO. 00-30

Aug 17 2000

FEDERAL COMMUNICATIONS COMMISSION
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APPLICATIONS FOR TRANSFER OF CONTROL
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FCC
445 12th Street, S.W.
Washington, D.C.

Thursday,
July 27, 2000

The parties met, pursuant to notice, at
1:09 p.m.

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APPEARANCES:COMMISSION

Chairman William E. Kennard
Commissioner Susan Ness
Commissioner Harold Furchtgott-Roth
Commissioner Michael K. Powell
Commissioner Gloria Tristani

PANEL

Mr. Steve Case,
Chairman and CEO, America Online, Inc.
Mr. Gerald Levin,
Chairman and CEO, Time Warner, Inc.
Esther Dyson,
Chairman, EDventure Holdings
Barry Nelabuff,
Professor, Yale University
Barry Orton,
Professor, University of Wisconsin
Mark Cooper,
Director of Research,
Consumer Federation of America
Manuel Mirabal,
Chair, Hispanic Association on Corporate
Responsibility and
Chair, National Hispanic Leadership Agenda
James Love,
Director, Consumer Project on Technology
Cathy Cunningham,
City Attorney, Irving, Texas
Richard D. Parsons,
President, Time Warner, Inc.
Barry Schuler,
President, AOL Interactive Services Group
William F. Reddersen,
Executive Vice President,
BellSouth Corporation
Preston Padden,
Executive Vice President, Disney/ABC
Steven Weed,
Vice-Chairman, American Cable Association
Ross Bagully,
CEO, Tribal Voice, Inc.
Christopher Melcher,
Vice President and General Counsel, RMI.NET

AUDIENCE

Ms. Nancy Block,
Executive Director,
National Association of the Deaf
Mr. Barry Steinhorn,
Attorney, American Civil Liberties Union
Mr. Jeff Shester,
Consumer Group Advocate

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P R O C E E D I N G S

(1:09 p.m.)

CHAIRMAN KENNARD: Good afternoon and welcome to this *en banc* hearing on the proposed merger between AOL and Time Warner. I'm very pleased to see you all here this afternoon, and we're very much looking forward to hearing the presentations of all of our distinguished panelists today. I want to thank all of them for taking the time to appear before us today on this very important matter.

I think more than any other potential acquisition or consolidation in recent memory, the proposed merger of these two companies, AOL and Time Warner, has really captured national attention. And there's good reason for this, because ultimately, this merger could ordain the essential nature of America's broadband services. There are a lot of important questions that we're seeking answers for here today.

Will the merger deliver on promises, including accelerated broadband deployment, more innovative services and continued commitment to multiple broadband platforms? Or will it, instead, impair the competitive, consumer-driven evolution of these technologies and stymie growth in new markets such as interactive television and instant messaging? I very much look forward to listening to all of the panelists today and hearing the answers to these

1 important questions.

2 Before we do that, I'd like to take just a moment
3 to discuss my perspective on reviewing mergers of this kind.
4 We are here today because Congress has mandated that this
5 Commission investigate whether approval of transactions like
6 this one are in the public interest. As in all such cases,
7 we have a statutory duty to verify whether this merger would
8 violate either the implementation or enforcement of the
9 Communications Act in our rules and, most importantly,
10 whether it might interfere with the progress towards any of
11 our statutory objectives as we try to bring more competition
12 and more services to the American public.

13 It is the burden of the merging parties to
14 persuade us that the merger is in the public interest and
15 will yield clear public interest benefits. I wanted to say
16 a brief word about the issue of cable access. Some people
17 call it open access, other people call it forced access. I
18 will just call it cable access. I believe that the promise
19 of the Internet is in its remarkable openness, and I hope
20 that this merger would only expand on this openness.

21 I'm very concerned about this issue of access to
22 the cable broadband platform, so much so that I will ask my
23 colleagues shortly to open a separate proceeding on this
24 particular issue. But I very much want to hear about that
25 issue in the context of this particular transaction today.

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1 But I want to emphasize that this discussion on cable access
2 should be a debate about means and not ends.

3 I think everybody agrees that the broadband
4 platform should be an open platform. So this is a question
5 of how we get there. Whether we get there through
6 regulation and government intervention or whether there are
7 market forces that will drive to an open platform. Finally,
8 I want to note that this is a public proceeding, and since
9 my tenure here at the Commission, I have worked very, very
10 hard to make sure that the debate over transactions like
11 this is open and transparent and in full public view. I
12 believe it's imperative that the public get this chance to
13 view our decisionmaking process, the kind of questions that
14 we ask and to get all the details and implications of this
15 particular transaction and to voice their own hopes and
16 concerns about it.

17 Well, I look forward to today's proceedings, and I
18 trust that all of the parties involved will do their best to
19 assist us at the FCC in doing our job to make sure that the
20 American consumer is well served. Commissioner Ness?

21 COMMISSIONER NESS: Thank you very much. We're on
22 the threshold of an extraordinary era. Today's hearing
23 provides the Commission with an invaluable opportunity to
24 better comprehend the rapidly converging communications
25 marketplace and the effect of these changes on the American

1 public. Mergers such as the one we will discuss today have
2 the potential of fundamentally reshaping the communications
3 landscape.

4 Public attention has been brought to this merger
5 due to a couple of factors. First, it's the largest merger
6 before this Commission. Indeed, one of the largest mergers
7 in history. This combination is significant in its scale.
8 But the size of the transaction, while historic, need not
9 itself lead to any intervention by the Commission. Big is
10 not necessarily bad, unless it leads to anticompetitive
11 behavior harmful to industry or consumers.

12 Also, commenters have raised a plethora of
13 intriguing topics related to the dynamic technologies and
14 services provided by the merging parties. These range from
15 more traditional communications policy issues, such as cable
16 carriage of broadcast signals and access to vertically
17 integrated video programming providers, to relatively new
18 issues such as interactive television and the
19 inter-operability of instant messaging. I believe our
20 biggest challenge today is to maintain a disciplined focus
21 as we digest the issues before us. Given a marketplace in
22 fundamental transition, we must exercise our jurisdiction
23 and authority with great caution.

24 To that end, just as in any other transaction
25 before us, we must ask the following questions: Will the

1 proposed transaction violate the Communications law and
2 regulations, impair the Commission's ability to implement
3 the Act or interfere with the objections -- objectives,
4 rather, of statutes, over which Congress gave us
5 stewardship? Also, will the proposed transaction yield
6 tangible and specific public interest benefits and will such
7 benefits outweigh harms, if any, that are posed by the
8 transaction?

9 A number of commenters have alleged that there are
10 potential harms from the merger that will frustrate the
11 Commission's ability to fulfil its statutory obligations.
12 Among other things, some have identified potential harms
13 relating to control of conduits, control of content and
14 applications, and the web of interrelationships between
15 providers or these infrastructures and services.

16 Each of these potential harms must be examined
17 through the prism of our core communications policies, such
18 as fostering competition among multiple broadband platforms
19 and video providers, deployment of advanced services to all
20 Americans, diversity of content, and product and service
21 innovation. And in each instance, we must ask ourselves
22 whether the potential harms are caused by or exacerbated by
23 the merger of these parties. An issue does not implicate
24 the fundamental concerns of the Commission, no matter how
25 timely or interesting it might be, or is not merger-specific

1 should not affect our decision whether to grant, condition
2 or deny the merger application.

3 So the purpose of this hearing, like the other en
4 banc hearings we have held in the past several years, is to
5 hear directly from the parties and to provide an immediate
6 opportunity for others to respond. The decisions we render
7 should be informed by the broadest possible understanding of
8 the markets and the consumer interests at stake. So I look
9 forward to a very vigorous debate today, responsive to the
10 issues by the parties and responsive to the issues of the
11 American public. And finally, whatever we decide to do in
12 this proceeding, we should do so expeditiously. We do not
13 serve the public interest by prolonging the merger review
14 process unnecessarily, thereby casting a pallor of
15 uncertainty over an entire industry. Thus, I'd urge us to
16 complete our deliberations in a thoughtful but punctual
17 manner. Thank you very much.

18 CHAIRMAN KENNARD: Thank you, Commissioner Ness.
19 Commissioner Furchtgott-Roth.

20 COMMISSIONER FURCHTGOTT-ROTH: Thank you, Mr.
21 Chairman. The parties before us today have submitted
22 license transfer applications to the Commission. Unlike
23 tens of thousands of other license transfer applications
24 that this agency reviews each year, this one has been
25 singled out for heightened scrutiny and now, for the first

1 time ever, a public *en banc* hearing. I cannot support the
2 Commission's review of the merging parties beyond their
3 license transfers, for three reasons.

4 First, although the Commission purports to review
5 the merger of AOL and Time Warner, it is in fact -- it in
6 fact does not have the statutory authority to do so.
7 Second, despite the unprecedented public hearing, the
8 Commission's process lacks transparency. And third, today's
9 hearing serves no purpose other than to provide a forum for
10 criticism of the merger and for the parties in turn to plead
11 for this Commission's approval.

12 As I have stated before, the FCC does not possess
13 statutory authority under the Communications Act to review
14 the mergers or acquisitions of communications companies.
15 Rather, the licensing provisions of the Act require the
16 Commission to review applications for license transfers.
17 Specifically, the Act merely directs the FCC to determine
18 whether the transfer of licenses serves the public interest,
19 convenience and necessity.

20 For tens of thousands of license transfers
21 annually, that review is perfunctory. Nothing in the Act
22 grants the Commission jurisdiction to approve or disapprove
23 mergers that consequently involve the transfer of licenses.
24 To be sure, the transfer of licenses is an important part of
25 any merger, but it is simply not the same thing.

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1 A merger is a much larger and more complicated set
2 of events than the transfer of FCC permits. It includes, to
3 name but a few, the passage of legal title for many assets,
4 corporate restructuring, stock swaps and the consolidation
5 of corporate headquarters and personnel. Clearly, then,
6 asking whether a particular license transfer would serve the
7 public interest, convenience and necessity entails a
8 significantly more limited focus than contemplating the
9 industrywide effects of a merger between the transferee and
10 the transferor.

11 Our inquiry should be limited to whether the
12 proposed transferee has and will comply with applicable
13 Commission regulations. Our inquiry should not consider,
14 for example, how the combination of the two companies might
15 affect other competitors in the industry. That is the
16 responsibility of the federal antitrust agencies, the
17 Department of Justice and the Federal Trade Commission.

18 Yet, as with past prominent companies who have
19 filed for license transfers as a consequence of a merger,
20 this Commission has used the highly visible nature of the
21 parties here today as an excuse to expand the agency's
22 jurisdiction to include merger review. The Commission seems
23 to believe that any matter or practice that occurs as a
24 result of the merger is within its jurisdiction. While many
25 seem to accept this theory without much question, its logic

1 leads to absurd results.

2 Surely not even the staunchest advocate of the
3 Commission's authority would claim power to review AOL Time
4 Warner's plans for new corporate headquarters at Columbus
5 Circle, but this event is as important -- is an important
6 part of the merger and is no more related to the use of the
7 radio licenses at issue as the other issues that the
8 Commission seems intent on reviewing. At least I have not
9 heard anyone draw a principled distinction among aspects of
10 the merger if this is the subject of review, not the license
11 transfers. That would avoid this sort of ridiculous
12 outcome.

13 The Commission's review of license transfers and,
14 in conjunction, its unauthorized review of mergers, lacks
15 transparency and consistency. The Commission annually
16 approves thousands of license transfers without any scrutiny
17 or comment while others receive minimal review, and a select
18 few are subjected to intense regulatory scrutiny. Today,
19 unfortunately for AOL and Time Warner, they are the first
20 applicants required to expend time and money preparing for a
21 public hearing before the full Commission.

22 This hearing illustrates the highly disparate
23 level of review given to applicants that arise under
24 identical statutory provisions. This is problematic,
25 because merging parties have no way of anticipating the

1 scale of FCC review that will apply to them. Regulated
2 entities have little basis for knowing ex ante, how their
3 applications will be treated, either procedurally or
4 substantively. The Commission's review of license transfers
5 should not be arbitrary and discriminatory but, rather,
6 uniform and predictably -- predictable.

7 Finally, I would like to emphasize that today's
8 hearing is an entirely novel and unprecedented approach to
9 the review of license transfers. As far as I can tell,
10 there is no justification for this event other than the fact
11 that AOL and Time Warner are large and highly visible
12 companies in the communications industry. In all
13 proceedings, the Commission notifies the public and receives
14 written comments. This proceeding has been no different.
15 We have received abundant comments from the public,
16 including from most of the witness' today.

17 And this proceeding has dragged on for six months,
18 far too long. Mr. Chairman, you could end this at our next
19 public meeting next week. You can invoke Section 5.D of the
20 Communications Act, with the objective of rendering the
21 final decision within three months -- it would only be three
22 months late -- from the date of filing in all original
23 application renewal and transfer cases. This hearing does
24 not add to our knowledge. It is a public spectacle. I hope
25 that the witnesses and their comments today will answer the

1 following four questions:

2 What specific authority does this Commission have
3 to consider the issues you raise? Second, if the answer is
4 the public interest standard under Title III, how can this
5 Commission apply a different public interest standard for
6 AOL and Time Warner than it applies for any of the tens of
7 thousands of other identical license transfer cases?

8 Third, if your issue is not the public interest
9 standard, such as cable access, as the Chairman mentioned,
10 why should the issue not be addressed through general
11 rulemaking that would apply to the entire industry, rather
12 than to just one firm within the industry? And fourth, are
13 the issues raised, such as anticompetitive behavior, being
14 reviewed by another federal agency with clear statutory
15 authority? Thank you, Mr. Chairman. I look forward to the
16 testimony of the witnesses.

17 CHAIRMAN KENNARD: Thank you, Commissioner.
18 Commissioner Powell.

19 COMMISSIONER POWELL: Thank you, Mr. Chairman, and
20 let me be the first also to welcome Mr. Case and Mr. Levin
21 and all our other distinguished visitors and panelists from
22 whom we will hear today, as well as members of the public a
23 discussion and a debate about a matter of clear public
24 importance.

25 Since its announcements, the proposed merger of

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1 America Online and Time Warner has assumed almost mythical
2 proportions among regulatory, legislative and business
3 circles, particularly here in Washington, and as a policy
4 and analytical exercise, this transaction has proven to be
5 irresistible both to those who applaud its promise and to
6 those who fear the merged entity's potential power. By
7 seeking to combine some of the most unique and valuable
8 assets in both the communications and content worlds, the
9 parties have spread before policymakers, advocates,
10 competitors and pundits a smorgasbord of tasty issues for us
11 to sample or devour as we choose.

12 This merger is particularly challenging to review,
13 not so much because of its formidable size but because of
14 its novelty. Normally, when the government reviews a
15 merger, it focuses principally on existing products,
16 services and markets. It takes a snapshot, if you will.
17 But here, we are faced with a merger that is born from a
18 revolution that is in its infancy, and the merger's great
19 promise and possible dangers rest principally in the future,
20 a future that changes rapidly and often unpredictably.

21 It is very difficult to grasp the effect of this
22 combination on consumers in markets that have barely emerged
23 or have yet to be created at all. Thus, the Commission will
24 struggle mightily with how to deal with necessarily abstract
25 issues and will face tough questions, as when to yield to

1 the market's judgment and when to embark on a
2 government-crafted solution. In this vein, I would caution
3 that identifying possible problems that result from this
4 merger is not the same thing as having a workable regulatory
5 solution.

6 We should keep squarely in mind that regulation
7 imposes significant costs on producers and consumers. Valid
8 rules require valid and stable economized and technological
9 assumptions that may be difficult to come by in this
10 innovating space. The hurdles of enforcement are
11 substantial. Additionally, we should recognize that
12 regulatory intervention necessarily directs the course of a
13 market and may distort it by diverting capital away from
14 certain enterprises and towards others. Whether this is
15 wise in a burgeoning, rapidly changing, innovation-driven
16 market is subject to debate and some questions.

17 Finally, I think it's important to say a word
18 about who we are and what we do. It is important to
19 emphasize that many of the interesting challenges, questions
20 and concerns that might arise from this combination are not
21 within the scope of our review, nor are we necessarily
22 empowered to address any and all such questions. Along
23 these lines, I would repeat the caution of the Chairman and
24 many of my colleagues in public statements that we do not
25 regulate the Internet.

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1 While our authority does extend to much of the
2 infrastructure that affects Internet service, we must react
3 cautiously and perhaps even skeptically to invitations to
4 intervene in matters that involve Internet content, products
5 and services. It is extremely important, then, that we
6 focus on the matters that will inform our decision and not
7 dawdle too long with issues that do not lend themselves to
8 an FCC regulatory solution. With that, I look forward to
9 hearing from the panelists, and thank you for convening the
10 hearing, Mr. Chairman.

11 CHAIRMAN KENNARD: Thank you, Commissioner.
12 Commissioner Tristani.

13 COMMISSIONER TRISTANI: Before I go to the brunt
14 of my remarks, I would like to thank you for holding this
15 hearing. I, for one, was an advocate of having an *en banc*
16 hearing, because this merger has not only caught the
17 attention of Washington, it has caught the attention of
18 many, many citizens across this country. It's something
19 that I know we're all getting an unprecedented amount of e-
20 mail on, letters on, questions on, and this is one small way
21 that Americans, that the public can have a sense of what
22 happens in the halls of the FCC in Washington when these
23 issues are concerned.

24 I'm delighted that the press is here, because I
25 know this is getting good coverage, and I'm hoping that, in

1 a future hearing, we'll have some kind of an interactive
2 dialogue with the public. We should have thought of that
3 before. Having said all of that, there is a procedural
4 concern that I have, and that's that yesterday, this
5 Commission announced over our Web page that in order to get
6 into this room or to view this hearing at Commission,
7 citizens would have to come at 8:00 in the morning, starting
8 at 8:00 to get a ticket.

9 Now I know that was well-intentioned, because
10 there were security concerns, there were concerns about we'd
11 have overflow, but I think in the future, Mr. Chairman, that
12 if we're going to limit or have different procedures in
13 place, we need to let the public know with sufficient notice
14 -- at least a week's advance -- because I have no clue if
15 there are people that might have wanted to attend this
16 hearing -- and I'm talking about American people, not our
17 usual crowd of friends and lobbyists and attorneys -- that
18 weren't able to come here because they had no clue that you
19 had to use these special procedures that, frankly, Mr.
20 Chairman, I didn't learn about till someone from the public
21 called me and then brought them to my attention.

22 With that, today we will be hearing from the
23 proponents and opponents of the AOL Time Warner merger.
24 This proposed merger is not only one of the largest in
25 United States history but combines the control of conduit

1 and content in an unprecedented fashion, implicating issues
2 that are at the core of our democracy. It raises the
3 specter of barriers to the free flow of information and the
4 marketplace of ideas.

5 If the shelves in the marketplace of ideas are
6 stocked by too few hands, a kind of digital imperialism may
7 replace a well-informed citizenry. In the face of this, the
8 Commission's statutory authority and obligation is
9 abundantly clear. The public's interest must be advanced if
10 this merger is to be approved. When the proposal before us
11 is viewed through the public interest lens, several
12 significant concerns and questions arise. I will highlight
13 only a few here.

14 I am particularly concerned about the impact of
15 this proposal on the diversity of voices and ideas. I am
16 also concerned that this merger may limit a consumer's
17 choice regarding Internet service providers and/or cable
18 delivery services. One question is repeatedly raised. Does
19 the dominance over instant messaging by one corporation
20 create impermissible barriers to competition and to the free
21 exchange of ideas. If the extent to which instant messaging
22 has penetrated the online world is as great as the record
23 indicates, can America afford to leave its ownership in the
24 hands of a single entity whose fiduciary duty is to its
25 shareholders and not to the public?

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1 Another persistent question is whether the
2 Commission should address the issue of open access or wait
3 for an industrywide proceeding. These and other pressing
4 questions will not be answered today, but we must answer
5 them before we complete this merger review.

6 In closing, I am reminded of Winston Churchill's
7 remarks during the battle of Britain. When asked if
8 Britain's goose was cooked, he remarked, "This isn't the
9 end, this isn't even the beginning of the end. It is
10 perhaps the end of the beginning." If parties are right, we
11 are entering the digital century. Maybe so.

12 Specious limitations on this Commission's
13 authority to protect and advance the public interest belong
14 in the last century. Today marks a new beginning in our
15 duty to protect the public interest through a review of
16 mergers such as this one.

17 CHAIRMAN KENNARD: Thank you, Commissioner
18 Tristani. Commissioner Tristani is right. We have a legal
19 obligation to make a public interest determination as to
20 whether this particular transaction will serve the public
21 interest, and that is why we're holding a public hearing --
22 so that the public can be involved in that determination.
23 And I just wanted to note for the record that this hearing
24 is not unprecedented. Every major merger that's come before
25 this agency, at least during my tenure, we've had an en

1 *banc*, Commission level hearing like this, including Bell
2 Atlantic, GTE, SBC Ameritech and AT&T TCI.

3 With that, I wanted to outline just a few of the
4 housekeeping matters that we'll be addressing today --

5 COMMISSIONER FURCHTGOTT-ROTH: Mr. Chairman, I --

6 CHAIRMAN KENNARD: Certainly.

7 COMMISSIONER FURCHTGOTT-ROTH: I just, I can't let
8 that remark go without some clarification. I'd be very
9 grateful if you could submit for the record the dates and
10 the minutes of those hearings that were held at the
11 Commission level. I don't recall being present at them.
12 Perhaps others were.

13 CHAIRMAN KENNARD: Well, I do recall you being
14 present at them and asking some questions. In fact, I
15 remember your opening statement was very much like the
16 opening statement that you just made, so, but I'd be happy
17 to give you a tape of that meeting, in fact.

18 COMMISSIONER FURCHTGOTT-ROTH: Meeting? Was it
19 singular? Or were there one for each of these other major
20 mergers, Mr. Chairman?

21 CHAIRMAN KENNARD: As I recall, there was an *en*
22 *banc* hearing that considered each of those mergers. I don't
23 think we need to belabor this point, but I would be happy to
24 submit the record, not, the tape to you, not for the record
25 in this proceeding but just for the record of, for the

1 purpose of clarifying the point.

2 Are there any other remarks from the bench before
3 we move on? Hearing none, I just wanted to clarify some
4 housekeeping matters before we go on so that everyone will
5 know what to expect this afternoon. We will have opening
6 statements from representatives of the two applicants, who
7 are seated here at the table now.

8 Then, we will have three other panels. One will
9 be a panel that will broadly put the merger in context, with
10 two panelists. And then, we will have two larger panels.
11 One will address consumer perspectives, and the other will
12 address industry perspectives on the transaction. I'll ask
13 all of our panelists to confine their remarks to five
14 minutes, and we want to reserve some time for questioning
15 from the bench after the panelists have had an opportunity
16 to speak.

17 We have a very crowded agenda today, so we're
18 going to have to be very, very disciplined about keeping
19 this moving. We have a timekeeper. I'll ask all of our
20 panelists to keep an eye on our timekeeper, who is our
21 secretary, Magolly Sollis here at the Commission. And
22 please work with us here to that we can get through this,
23 and everyone will have an opportunity to state their case.

24 With that, let's begin with our first panel. It
25 is the opening statements of the applicants before us,

1 beginning with Steve Case, the chairman and CEO of America
2 Online.

3 MR. CASE: Good afternoon, Mr. Chairman and
4 Commissioners and thank you for this opportunity to talk
5 about the proposed merger of AOL and Time Warner. As you
6 all know, there has been a fair amount of discussion about
7 what this merger will mean and a fair amount of
8 misinformation. So both Gerry and I have been look forward
9 to coming here today to explain what we believe the merger
10 will mean, not only for our companies but also for
11 consumers.

12 We think, when you look at all the facts, you will
13 conclude that the merger of AOL and Time Warner will benefit
14 consumers and serve the public interest. We are confident
15 that together AOL and Time Warner will build a company that
16 helps to take the Internet to the next level, connecting,
17 informing and entertaining people around the world as never
18 before and benefiting consumers in valuable new ways.

19 Just as important, we want to make clear that our
20 commitments to consumer choice and competition will help
21 lead our industries into the Internet century in a way we
22 can all be proud of. That's what the merger of AOL and Time
23 Warner is really all about. Helping to lead a second
24 Internet revolution that reaches as many people as possible
25 as quickly as possible and serves the public interest.

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1 There are three key reasons why we believe this.

2 One, we are confident that the proposed merger of
3 AOL and Time Warner will drive the Internet's development,
4 helping to spur a new era of innovation and robust
5 competition. Two, we are confident that our merger will
6 help consumers make the most of that innovation, increasing
7 their choices and enriching their lives. And three, we are
8 confident that our merger will help to build a truly global
9 medium, leaving no community behind. So let me go through
10 each of these points and the principles that underlie them.

11 First, our merger would help to drive the
12 development of the Internet. I don't think I have to tell
13 anybody in this room that the Internet is transforming the
14 landscape of communications and media. This transformation
15 is evident in everything from the time people now spend
16 online, the way it's really embedded now in their lives, to
17 the way it's shaping our expectations of what media can and
18 should be able to do.

19 And this is just the beginning. Broadband and
20 wireless connections, an ever-increasing array of devices to
21 conveniently access the Internet anytime and anywhere, and
22 the intersection of traditional and digital mediums are
23 fueling a powerful new era of innovation. It's consumers,
24 not technology, that are driving these developments, and
25 that's the way it should be, indeed, it has to be. In this

1 new environment, companies of every size will compete to
2 bring consumers what they want when they want it at prices
3 they can afford, and in ever more useful, convenient ways.

4 This cycle of competition and innovation has
5 brought the Internet and both of our companies to where they
6 are today. And it's always benefitted consumers. The next
7 HBO, the next CNN, the next AOL, these are the kind of
8 remarkable breakthrough innovations AOL Time Warner could
9 create for consumers across a whole variety of platforms.
10 And we have no doubt that our commitment to innovation would
11 prompt our competitors to develop new and better offerings
12 of their own.

13 One of our most recent innovations, AOL TV, is a
14 good case in point. By using open standards, this new
15 interactive television service actually enables
16 interactivity provided by any broadcaster. AOL TV will be
17 an enabling platform for broadcasters and programmers. We
18 have approached it in a way meant to benefit consumers,
19 benefit content producers and benefit broadcasters.

20 As many of the people in this room know,
21 interactive TV has not yet begun a widely used product.
22 Broadcasters and programmers have little incentive to
23 develop interactive content, because there's not an
24 audience, and service providers have difficulty creating an
25 audience without compelling interactive content. The merger